

## LAND USE OVERVIEW

## GUNSHY MANOR

REDMOND, WA

Location: 7240 196th Ave. NE Redmond, WA 98053

This overview discusses land use scenarios for Gunshy Manor. These scenarios will be addressed as present use, immediate uses, and potential uses under the current zoning and long term hold scenarios.

**Present Use:** The Nelson family has owned Gunshy Manor since 1957 and operated the property as a family residence, which incorporated a very successful Thoroughbred breeding facility. In addition to the breeding operation there continues to this day ongoing agricultural activity, which mainly consists of growing and selling Timothy hay. Many of the present drainage ditches and ongoing agricultural operations have vested the present onsite drainage facilities and ditches, in conjunction with those continuing agricultural activities.

**Immediate Use Other Than Agricultural:** In 2013 the owner recorded a boundary line adjustment (BLA) of the six vested lots on Gunshy Manor. The goal of this BLA was to maximize Gunshy Manor's value for residential use by configuring the six vested tax lots into a market neighborhood of six estate sized home sites, ranging in individual acreage from 8.3 acres to 37.8 acres. The other valuable benefit of the BLA was to define the building site pads and vest the critical areas of steep slopes, stream setbacks and wetlands, and wetland setbacks. Each of these lots could apply for and receive a building permit and could also be sold as legal titles.

**Potential Uses Under Current Zoning:** Gunshy Manor is located in unincorporated King County and is currently zoned RA-5 and RA-5-P. The RA-5 zoning designates that the property is rural, with the minimum lot

size being five acres. The "P" denotes a specific property condition in the Bear Creek Community plan. Gunshy Manor is one of a number of properties that has or needs to dedicate a right of way of 42 feet for Union Hill road in connection with any development action, which in the case of Gunshy Manor this dedication has already taken place. Under the RA-5 zoning a suburban cluster subdivision of 25 lots would be allowed. Various conditional uses are also allowed under this RA-5 zoning. These uses would need to be "campus" type developments and could be based on schools, churches, conference/meeting accommodations, corporate retreat facilities or uses associated with agriculture such as wineries or equestrian uses. All of these uses could obtain water from the Union Hill Water Association and all waste water would be handled by an onsite sewage disposal system.

### Long Term Hold

**Scenario 1** - Given the size (124 acres) of Gunshy Manor and its proximity to downtown Redmond, just obtaining the approval for the 25 lot SC subdivision and holding it for a few years could see substantial appreciation without a change in the zoning. This value enhancement would be the result of dwindling land supplies on the Eastside. Two factors are of major significance in putting upward pressure on existing developable land. The

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first is regulatory policy which will severely limit the creation of single family lots. For the last twenty years approximately 70% of the single family lots on the Eastside have been created in master planned communities. The three major communities are Redmond Ridge, Snoqualmie Ridge and Issaquah Highlands. The secondary but significant ones are Lakemont and Talus located on Cougar Mountain. Lakemont and Talus have essentially depleted their lot inventory. In the major master plan communities the remaining lot inventory is being developed and is committed to merchant builders, mainly Toll, DR Horton and Pulte, and will likely be exhausted within three years. Once these lots are gone the availability of buildable lots drops significantly since all new lot creation needs to happen in the cities and large parcels of land are not available.

Given the above scenario, production builders such as Quadrant and DR Horton are creating new upper end product to fit on smaller infill parcels. These companies will now consider short plats as small as four lots. The second factor putting upward pressure on lot prices are the market indicators that the Eastside economy and the Seattle region will continue to grow and prosper. Without a significant increase in the GMA designated urban growth boundaries, a predictable consequence would be land use patterns similar to the Bay area in communities such as Palo Alto, Menlo Park or Los Gatos that are restricted market supply in very good economies.

**Scenario 2** - While a long term hold option could present the highest investment return for Gunshy Manor, it also requires the longest hold period. The current zoning of Gunshy Manor could be considered "artificial zoning" given the zoning/

use of the adjacent properties. Less than 300 feet away on the west side of The Brick Road, the land (mainly owned by Cadman Gravel is zoned a combination of BP (Business Park) and R-12 in the City of Redmond. To the east and adjacent to Gunshy Manor at the top of the bank is Gunshy Ridge, a neighborhood of homes on one acre lots. Gunshy Manor would be an ideal transition zone if it were in a City and would most likely be zoned a combination of R-6 and R-4 as part of the natural land use transition between the east and west properties. Sewer is available less than a half mile to the south on the west side of The Brick Road.

Currently, there appears to be no interest on the part of Redmond or King County to annex Gunshy Manor to Redmond with a planned rezone. However commencing in 2020, King County's initial land use plan "Vision 2020" will need to be updated. In that initial plan it was stated that there was foreseeable land supply until 2022. These plans will need to be revised. Redmond has its plan as "Vision 2030" and many cities are looking to avoid the issue of accepting more growth by pushing their plan time frames out into the future. Moving an urban growth boundary takes time, persistence and political will. The Grand Ridge area was initially zoned RA-5 in King County and was successfully annexed and zoned by Issaquah after many years of effort by Port Blakely. Talus was also eventually annexed and incorporated into Issaquah after being turned down by both King County and Issaquah initially. Gunshy Manor is probably the best located large parcel on the Eastside, which could make it a candidate for annexation into the City of Redmond and rezoned as the Eastside continues to prosper and grow.

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## LAND USE OVERVIEW LOT PRICING EXHIBIT

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The Eastside economy continues to grow and create high paying jobs, leading to the creation of substantial new wealth similar to the San Francisco Bay area economy. The ability to accommodate the growth and prosperity will be funneled into a decreasing supply of single family lots.

Single family land use is unique in the fact that as much as 60% of a home's appreciation can be attributed to the underlying land value. As an example, a home with a market value of \$1,800,000 that has an increase in market value of 10% would then have a new market value of \$1,980,000. Due to the fact that home costs do not rise as quickly as market values, most of the appreciation goes to the lot value.

If the original lot value for the \$1,800,000 home was \$600,000, approximately 60% of the gain in market value would accrete to the land, which would put the increase in land value at \$108,000. The value of the lot would have increased to \$708,000 an increase of 18% over the original \$600,000.

Even more interesting is the fact that if you are holding fully entitled raw land the "paper lot" value would be about \$400,000. The lot would have seen an increase of 27%, from \$108,000 to \$508,000, following a 10% increase in overall home value. Land is "leveraged" to the market. As an example, in the Bellevue zip code of 98004 median home values have increased 34% from \$1.22MM to \$1.63MM. If the above scenario were applied, the \$400,000 paper lot value would have increased 92%, increasing the land value to \$767,000.

This explains the rise in regional land prices with land prices doubling in the more affluent areas. The strong local economy and explosive growth in high paying jobs has produced millionaires at a rate faster than lots can be created for luxury upper end homes.

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